

some criticism of the "earmarking," or locking up of so much gold; but it was explained by the Indian Government that the obligation to hold it exactly corresponded with the gold held by the Bank of England against its note issue; that it was equally withdrawn from the market, whether held in London or Calcutta; and that its purpose would not be served by an ordinary banking deposit at the Bank of England.¹ The benefit of the change was found largely in having the gold promptly available to purchase silver for the rupee coinage.

The history of the monetary system of British India is interesting chiefly because of the great experiment conducted there since 1893 in maintaining a silver currency at par with gold without a gold circulation. The decline in the gold value of silver, which began to attain momentum in 1866, was keenly felt in India because of her large trade relations with Great Britain, the fact that the receipts of the Indian Government showed a steady shrinkage in gold value, and the increasing burden of the charges on the debt, which were payable principally in gold. As early as 1876 commercial bodies in Bengal and Calcutta urged upon the government the temporary suspension of silver coinage, but received the reply that up to that time there was "no sufficient ground for interfering with the standard of value," and that if public revenue became impaired the difficulty would be remedied by increasing taxes or reducing expenditures.* But exchange relations with Europe went steadily from bad to worse, until at length in 1893 a commission headed by I/>rd Herschell recommended a radical change.

The effort was made, as the result of an exhaustive report by the commission, to give to the silver rupee a fixed gold value of one shilling four pence, representing about 32 cents in United States currency, as compared with a nominal value of about 48 cents when the ratio between silver and gold was 15 to 1. Reliance was placed in the first instance upon the closing of the mints to free coinage and the offering of

¹ *Indian Financial Statement for jQo6-oj*, 19.

² Alglave, in *Questions Monetxires Con/ewporaines*, 605.